



Remarks For

The Hon. Steven C. Preston  
Administrator  
U.S. Small Business Administration

Delivered At The

**THE INITIATIVE FOR A COMPETITIVE INNER CITY**

Boston, MA

May 3, 2007

Thank you for that nice introduction. I would like to thank Michael Porter, ICIC founder and Chairman, and Dorothy Terrell, President and CEO of ICIC for inviting me to this event.

There is energy in this room.

- It's the energy of momentum...being part of a business that is skyrocketing
- It's the energy of confidence...knowing that many of you started with a hope and a prayer, not that long ago, and you're being honored among the very best.
- It's the energy of commitment and service:
  - To the customers you serve
  - To the people you employ
  - To the communities you are transforming in the process.
- It's the energy of entrepreneurship

I want you to know how thankful I am to be here celebrating your success in starting and growing some of the most successful small businesses in the country and doing so in a way that has such a powerful impact on our country and more specifically on inner cities.

### ***Small Business Week***

Just last week was National Small Business Week, and the SBA held events to recognize exceptional entrepreneurs for their contributions to the nation's economy and for their personal achievements in the areas of disaster recovery, procurement and entrepreneurial success.

In his Small Business Week proclamation the President said,

*"Small businesses are the lifeblood of cities and towns across the country, and we salute small business owners, entrepreneurs, and employees for enhancing our communities and expanding opportunities for all. The hard work and ingenuity of our nation's small business men and women are helping to sustain America's economic strength."*

During our Small Business Week events, we recognized men and women who overcame barriers and obstacles, and we honored these individuals for their achievement and outstanding contributions to their communities. It is so important to celebrate the success of this country's entrepreneurs and reflect on what they mean to all of us.

America has an economy that regenerates, is flexible, and adapts to opportunity in large part because our entrepreneurial culture has taught us to dream, to see possibilities, and to act on these possibilities. Entrepreneurialism is in our national DNA.

Small businesses drive innovation that keeps our country competitive,

provide opportunity to millions of Americans who may not find it elsewhere, and enable transformation in communities that need economic revitalization.

We see the power of entrepreneurship alive in our economy today. There have been almost 8 million new jobs created over the last 3 ½ years in America—more than the other industrialized nations combined. Employment has grown for 43 consecutive months. And American workers are taking home more pay with those jobs. Real after-tax income per person has risen by 10 percent – or \$2,900 for the average family– since the President took office.

It is small business that creates two-thirds of the new jobs. Small business also represents half of our non-farm private GDP and about half of the nations working population. And while small business is the backbone of our economy, it is even more essential in our inner cities.

Small businesses represent 80 percent of total employment in our inner cities, far above national averages. So while small businesses are critical to the country as a whole, their role is even more amplified in the inner city.

Let me pause for a second and talk about communities – something I focus on about a lot:

- Communities are where we live

- They are where we raise our children and see their surroundings shape them
- Communities are the heart of who we are as a country
- They are for each of us.... our America
- And they are where we see the hope of a vibrant, opportunity-rich society become a reality....or not.

As inner city entrepreneurs, many of you have started businesses in communities that have not fully shared America's promise. By starting those businesses, you have brought jobs, services, investment, and opportunity to places where they have often been in short supply. I believe so strongly in the ability of small businesses to drive transformation in our communities.

There is another powerful force at work here...it's ownership. President Bush once said,

*"If you own something, you have a vital stake in the future of our country. The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country."*

Whether it's a car, a home, or a small business, ownership makes us feel vested and committed.

And anyone who owns a small business knows, it's not just a job, it's your life. And it takes your vision, your drive, your persistence, and your heart to succeed. That's why I often say to people time and again that the reason small businesses often succeed is because with every dollar of equity they put in their business, they match it with \$10 of sweat equity. It's yours and you make work, and that yields remarkable dividends for our economy and our society.

That's why it is essential that our economic and regulatory policies provide an environment where businesses can start and grow, unfettered, and why programmatic initiatives need to give fuel to the engine of entrepreneurship in our inner cities.

### ***How SBA helps Small Businesses***

In order to sustain small business growth in our economy and help small businesses drive transformation in our communities, it is SBA's mission to provide services and programs to assist small businesses along the way.

Over the years, the agency has helped many of our best known corporate icons get their starts. Intel, AOL, Outback Steakhouse, Apple, Amgen, Ben & Jerry's, Callaway Golf, Staples, Under Armour, NIKE, and FedEx all received help from one of SBA's programs.

In our best known programs, the SBA guarantees bank loans to small businesses, provides capital to equity funds that invest in small business, and extends loans to small businesses and homeowners who have suffered from a natural disaster. That is so important because, as you well know, liquidity is the air to small business. Without capital, you can't get started, you can't expand, and you can't weather tough times.

Our programs enable banks and equity investors to stretch farther in providing capital to small businesses that may not have access to capital in traditional markets. Our programs help entrepreneurs get access to that capital, whether they are in the start-up phase, need working capital to support exports, or longer term funds for equipment or real estate.

The SBA lends or guarantees almost \$80 billion in loans and investments. Over the last six years, the number of SBA loans has doubled and lending to minority entrepreneurs has increased over 150%.

Last year, a third of all new SBA-approved loans went to minority borrowers – over \$6 billion to almost 34,630 minority-owned small businesses.

We are also expanding distribution of a loan product called the Community Express, which couples a guaranteed loan with much-needed training and targets businesses in underserved markets.

More specifically, the Community Express Pilot is designed for small businesses in disadvantaged communities and small businesses owned by women, minorities and veterans. The program partners with SBA technical assistance partners so businesses receive the 1-2 punch of capital and training.

Another service we provide is training and counseling. Small business owners often play the role of the visionary, the CEO, the head of marketing, and the copy machine expert. It's very tough to know how to see the road ahead when you cover so many bases. Last year, SBA and partners that it funds counseled 1.4 million entrepreneurs through its district offices, Small Business Development Centers, Women's Business Centers, and SCORE—a volunteer counseling network. We also have a good resource in our website. The SBA.gov website received 26 million hits last year.

One of our partners, the Women's Business Centers, is a national network of 99 Centers in 46 states and 2 U.S. territories, which were created to aid and counsel women who want to start their own businesses. They provide four core programs – Training, Counseling, Coaching and Networking.

About half of all WBC clients qualify as socially and economically disadvantaged firms, which are primarily minority-owned firms, generally



in our cities. And while some of their clients may be the hard chargers among your peers, so many of them are women who are trying to find a better path to prosperity for the benefit of their children and themselves. Some of the most inspiring stories I have seen have come out of these centers.

### ***UEP***

The SBA also helped launch the Urban Entrepreneur Partnership (UEP) program which is designed to work with local Urban Leagues to give inner city entrepreneurs a place to go to locate multiple forms of financial and technical support. There are now eight centers, and we are working on a strategy to expand the program.

### ***Procurement: HUBZone and 8(a)***

The third major area I want to mention is procurement. We are the advocate of small business and specifically inner-city small businesses in the Federal Government procurement process. This is an opportunity for many of you to grow your businesses. Last year, the Federal Government procured \$80 billion of goods and services from small businesses. The federal government is the largest purchaser of good and services in the world. There are many federal contracts that are targeted or set-aside for small businesses, and specifically for those located in distressed areas.

One Federal program is called HUBZone, which is designed to provide federal contracting preferences to small businesses in markets with higher unemployment and poverty levels, often in urban communities. The HUBZone program became law in 1997, and has generated \$25 billion in revenues for 12,000 companies with 200,000 employees.

In addition to the HUBZone Program, the SBA administers two other business assistance programs, the 8(a) Business Development Program and the Small Disadvantaged Business Certification Program. The 8(a) Program offers a broad scope of assistance to socially and economically disadvantaged firms, and helps them to learn the ropes of government contracting while providing business development support.

### *Pillars*

I came to the Federal government last summer, after 24 years in businesses. I have come to the simple conclusion that some of the most important progress we can make is in applying good solid business principles to the work we do—much like small businesses do every day in their businesses. And as such, we are approaching our opportunities by asking four basic questions:

*First*, are we focused on the right outcomes? Are we focused on reaching communities that can benefit the most from our services? And are our goals, our training and our incentives designed to support those

outcomes? Two weeks ago, we started rolling out new goals for every district office in the country, which focus on driving capital into areas of our country that suffer from significantly higher unemployment and poverty rates. If we want it to happen, we need to establish programs to support it, measure it, and hold people accountable.

*Second*, are we focused on what is important to our customers? Do we understand what people need? And are we easy to do business with?

We can have the best programs around, but if they are smothered in bureaucracy and tough to use, we diminish their effectiveness.

*Third*, are we enabling our employees? Any organization that serves people must have an employee base that is motivated and enabled to provide that service.

*Finally*, are we transparent, efficient, and accountable? Are we running a tight ship?

And every chance I have, I am preaching this message of effectiveness to our employees and putting it to work in many initiatives throughout the Agency.

## *Outreach*

There is so much we can do to support entrepreneurs, but we are only a small piece, albeit an important one, in a much bigger picture. One thing we need is the partnership of other small business community organizations that complement us and expand our reach to inner city entrepreneurs. That's one reason why the UEP is compelling.

I have also gone to many of our trade group partners in the guaranteed lending community, credit unions, community development corporations, private equity organizations, as well as individual major lenders and asked every one of them for a partnership in reaching harder into the inner cities or our country.

There are so many organizations out there doing good work. We need to be a good partner to better reach out to entrepreneurs, on a national and local level. Our district directors across the country work on a local front to secure partnership with groups that will help us better provide our programs and services to entrepreneurs. And on the national level, I am working to create more partnerships with organizations that are doing so many positive things for small business. As a result, anyone of you should contact us if you see an opportunity for us to be more effective in reaching out to inner city entrepreneurs in your home market.

The last thing I want to emphasize is the importance of the policy debate, which I strongly believe needs to be bipartisan - - to energize you to be a

part of that debate. I truly believe there are strong voices for entrepreneurs on both sides of the aisle focusing on what is important to small business.

- It means keeping taxes low and encouraging business investment, so you have the capital to continue to fund growth in your business.
- It means holding the line on burdensome regulations, which become an albatross for the little guy.
- And it means tackling health care reform. There are a number of creative and thoughtful solutions that would allow our country to take a big step forward in making health care more affordable for small businesses and individuals, and expanding access to millions of Americans outside the system today.

We need to ensure that our country maintains an environment where entrepreneurship and innovation can thrive unfettered, and where small business ownership can enable economic mobility and continue to be the hand of opportunity to so many Americans who may not find that opportunity elsewhere. It is critical to our being competitive – to having a vibrant economy.

It may also be our country's strongest bridge to opportunity for Americans of all backgrounds, and for that reason, it should be the goal of our economic policy to keep that bridge open, expansive, and sturdy. That is foundational to who we are as a people and a nation. And, in so many

ways, the entrepreneur's spirit is the essence of our nation's greatness, and your accomplishments are its reflection.

### *Conclusion*

Thank you for your contributions to our economy, to our communities, and to the lives that have been touched by your success. Congratulations.

---